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C O N F I D E N T I A L SECTION 01 OF 03 KUALA LUMPUR 000042

SIPDIS

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SUBJECT: BY-ELECTION SETBACK FOR UMNO, BOOST FOR OPPOSITION

REF: KUALA LUMPUR 4 -- BY-ELECTION TEST FOR UMNO

Classified By: Political Counselor Mark D. Clark for reasons 1.4 b and d.

Summary

11. (C) The ruling United Malays National Organization (UMNO) party suffered its latest setback when it lost a January 17 parliamentary by-election in Terengganu state to the Islamic Party of Malaysia (PAS), supported by its opposition coalition Pakatan Rakyat (PR) partners, in a contest billed as a litmus test of political support in the ethnic Malay heartland. During the eleven-day campaign period, both sides flooded the small constituency with national leaders, with Deputy Prime Minister Najib personally heading the UMNO side. UMNO focused on the theme of protecting Malay supremacy, while PAS and PR highlighted UMNO corruption and good governance issues, and successfully portrayed the UMNO candidate as an outsider. Despite the BN's significant advantage in finances and questionable money politicking, the opposition campaign was noticeably more organized and attracted a far greater public response. Whereas UMNO took the seat in March 2008 by less than one percent of the votes, PAS won the by-election by a 52-48 percent margin based on a shift in ethnic Malay support in their favor. The majority of Chinese voters remained with BN. UMNO's defeat set off a new round of calls for the party to take a new approach in order to remain politically relevant.

12. (C) Comment: While the loss of a single parliamentary seat does not threaten UMNO and its National Front (BN) coalition majority in parliament, it is another bad omen for UMNO. UMNO and BN have now lost both by-elections held since they suffered a stunning electoral setback in the March 2008 national elections. The fact that this loss occurred in the ethnic Malay heartland is further grounds for concern and will allow Anwar Ibrahim and other opposition leaders to argue that Malay support for UMNO has eroded further since March. The Kuala Terengganu by-election highlighted the weaknesses in UMNO's machine, which was not able to translate its clear superiority in funding, manipulation of the government apparatus, and domination of the media into effective campaigning. The defeated UMNO candidate is closely associated with outgoing PM Abdullah, but to some degree the electoral loss also reflects the public's mixed views of DPM Najib, who is set to take over from Abdullah by April. While the by-election outcome set off new calls for changes in UMNO, those elites vying for posts in the party's March election have not marked out any clear reform positions. Anwar Ibrahim and the opposition received a boost from this win, but the by-election result itself will not be sufficient for Anwar to regain the momentum he enjoyed after the March 2008 national polls. End Summary and Comment.

With National Implications, the Parties Invest Heavily

13. (SBU) The Kuala Terengganu by-election, resulting from the death of an UMNO MP, pitted UMNO candidate Wan Farid Wan Salleh against PAS candidate Wan Abdul Wahid Endut. Wan Farid is the UMNO division chief in Kuala Terengganu, and is also a former Senator, former Deputy Home Minister, and a former political secretary to PM Abdullah Badawi. Abdul Wahid is an incumbent five-term Assemblyman with the Terengganu state legislature. The previous MP contest, held during the March 2008 general elections, resulted in a very narrow victory for UMNO. This race attracted national attention, as it is seen as a test of UMNO's performance since the last general elections and a gauge of the opposition's possible momentum in the ethnic Malay heartland.

14. (SBU) Both sides focused tremendous resources into winning the campaign, turning this normally quiet seaside town into a national stage for Malaysia's most prominent politicians. Prime Minister Abdullah Badawi, Deputy Prime Minister Najib Razak, opposition leader Anwar Ibrahim, every party leader from the other political parties, and dozens of incumbent MPs spent significant time campaigning on behalf of their candidates in this constituency of some 80,000 voters. Per UMNO standard practice, UMNO's campaign operations were personally headed by DPM Najib Razak, who was present in the Kuala Terengganu constituency for 9 of the 11 days of the campaign period. Idris Jusoh, the former Chief Minister of

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Terengganu, explained to us that regardless of who won, "nothing will change" in this constituency; however, the result would have "national" ramifications for the direction of the two main political coalitions.

Intense Campaigns Fight for Every Vote

15. (C) The campaign period began on January 6 and concluded January 16, one day before the voting. Poloff and PolFSN were in Kuala Terengganu from January 14 thru 16 to observe events. Nearly every contact Poloff encountered felt that this election was "too close to call." Noting last year's narrow margin of victory, most believed that 95% of people had already made up their minds and that the campaigning was aimed at the undecided 5% of voters. Poloffs heard allegations from opposition contacts that the BN and UMNO were heavily engaged in vote buying, and that the BN leadership was putting a lot of pressure on civil servants to support the UMNO candidate. The most credible allegation came two days prior to the election, when the election's Returning Officer, Mat Razali Mat Kassim (who is also the Mayor of Kuala Terengganu and an UMNO politician), resigned as an election official after PAS accused him of trying to influence city employees to vote for UMNO.

16. (C) Accusations aside, the BN clearly employed questionable campaign practices. On January 13, the DPM presided over a ceremony awarding approximately 600 government contracts in a "lucky draw" to local contractors. Democratic Action Party (DAP) strategist Liew Chin Tong told Poloff that the value of these contracts was approximately \$27 million USD. The government also announced during the campaign period a special trust fund to manage the Terengganu's oil royalty, paying \$113 million USD worth of oil royalties as an initial deposit to the fund. One blogger called the BN tactics "a carpet bombing exercise" due to the combination of media, money, and government machinery used during the campaign.

17. (SBU) Both sides employed heavy rhetoric in their attempts

to win over undecided voters. UMNO consistently highlighted the issue of Malay supremacy, warning the Malays that only UMNO can defend this right. BN also warned Chinese voters of PAS' intention to impose Hudud laws. Opposition leaders focused on rampant corruption of the UMNO dominated government, mega projects that did not benefit the people, the Internal Security Act (ISA) with detention without trial, and poverty in Terengganu despite receiving billions of dollars in oil royalty since oil was discovered in the state in 1974. (Note: Malaysia's oil revenues come from 3 of the 13 states: Terengganu, Sabah, and Sarawak. These 3 states are also the 3 poorest states in the country. End Note.) In one late night campaign rally attended by Poloffs, Anwar Ibrahim told the largely Malay crowd that UMNO is corrupted to the core and singled out DPM Najib. Anwar added "if you vote for the BN, you have accepted a bribe, a sin in Islam," which drew applause from the crowd, though Anwar also encouraged voters to accept any bribe attempts by UMNO, because "it is your money," and then vote their conscience anyway.

18. (C) The personalities of the candidates also figured prominently into the race. Opposition leaders appeared successful in portraying UMNO candidate Wan Farid as "orang luar" (an "outsider") and an elite who spent most of his time in Kuala Lumpur, while casting Abdul Wahid as an "orang kampung" (a "fellow villager"). UMNO itself did not provide firm support for its candidate, who is closely linked to outgoing PM Abdullah. Idris Jusoh admitted to us that that UMNO candidate Wan Farid did not have solid UMNO backing, with former PM Mahathir Mohammad publicly labeling Wan Farid "a bad choice" for UMNO.

19. (C) Importantly, we observed a stark contrast between the opposition and BN campaigns, as was the case in March 2008 national polls. Despite the BN's clear superiority in finances, the opposition campaign was noticeably more organized and in control of its operations, and attracted a greater public response. The PR rallies witnessed far greater attendance and stronger participant enthusiasm than the BN rallies, most of which struggled to gather more than a few hundred people and often times far less.

PAS Wins

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110. (SBU) Voting on January 17 proceeded in a peaceful and orderly manner. PAS candidate Abdul Wahid won the contested MP seat by 2,631 votes, a 52-48 percent margin over his UMNO opponent. This result is in contrast to the 628 majority won by UMNO in this same constituency 10 months prior. Detailed voting data showed that the BN lost most support from among those aged below 35. The total turnout was roughly 79 percent or 63,135 voters, which is 2,000 fewer than those who participated in the March 2008 national elections.

Chinese Vote A Small Consolation for BN

111. (SBU) Analysts closely watched the Chinese vote as a swing factor that could tip a close race in the opposition's favor, given growing Chinese disillusionment with the BN and the increased influence of the mainly-Chinese opposition party DAP. DAP campaigned heavily on behalf of PAS, bringing in Chinese heavyweights like Lim Kit Siang. However, on election day most Chinese maintained their vote in favor of the UMNO candidate, with BN making gains of up to 25% at some polling centers.

Reactions to the By-Election

¶12. (SBU) The election result has no immediate bearing on the balance of power in Parliament, as the BN still holds 137 out of 222 seats compared to opposition Pakatan's 85. However, Anwar and the PR trumpeted this victory, their second by-election victory since March 2008, as another indicator that the public confidence in BN continues to erode. PAS President Abdul Hadi Awang attributed the victory to "the cooperation between DAP, PKR, and PAS under the Pakatan Rakyat umbrella." Opposition leader Anwar Ibrahim said that the victory demonstrated that people were "thirsty for change," and publicly touted the unity of the opposition coalition by stating that the newly-elected PAS MP will work "together with his Pakatan Rakyat colleagues in Parliament to realize the agenda."

¶13. (SBU) UMNO and BN on the one hand attempted to downplay the broad significance of the vote, claiming it was no reflection of national sentiment and not a test of DPM Najib's popularity as he prepares to take over as Prime Minister by April. On the other hand, the loss prompted calls from UMNO leaders themselves for "a new approach, an image change, revamp, rebranding and soul searching" in order to remain relevant, the same mantra heard in the weeks following the BN's electoral setback in March 2008. PM-in-waiting Najib himself told the press that UMNO must change or "punishment awaits us in the (next) general election."

KEITH